

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 4834**

January 19, 2010

SPONSOR (S): Rita

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: According to an analysis prepared by the Fund's actuary, HB 4834 could increase total actuarial liability by \$128.6 million - \$642.9 million, depending on the increase in pensionable salary (as shown in the chart below).

SUBJECT MATTER: HB 4834 amends the Chicago Teachers' Article of the Pension Code to allow salary received for overtime, summer school, and other optional service to be included in the calculation of salary for pension purposes.

FISCAL IMPACT: According to an analysis prepared by the Fund's actuary, the impact of HB 4834 depends on the effect the bill would have on pensionable salary, as follows:

Increase in Pensionable Salary	Increase in Accrued Liability	Increase in Annual Cost	Total Annual Cost as % of Pay
2.5%	\$128,588,000	\$9,192,000	0.51%
7.5%	\$385,768,000	\$27,578,000	1.45%
12.5%	\$642,953,000	\$45,964,000	2.31%

COMMENTS: Currently, employee contributions are not made to the Chicago Teachers' Pension Fund for overtime, summer school, or other optional service, and this salary is not included in the calculation of the members' final average salary for pension purposes. Effective July 1, 2010, HB 4834 requires members to make contributions on salary received for summer school, etc., and allows this salary to be included in the salary upon which the retirement annuity is based. This would increase the amount of the retirement annuity for members of the Chicago Teachers' Pension Fund who receive compensation for optional service.

HB 4834 specifies that members who retire on or after July 1, 2010 and before the effective date of this Act would receive a lump sum equal to the difference in the amount of pension actually received, and the amount that would have been received if the salary for overtime, summer school, and other optional service had been included in the calculation of final average salary.

By way of comparison, TRS includes compensation received for overtime service as creditable earnings in calculating final average salary for pension purposes. TRS also allows salary received for summer school service in final average salary calculations, provided that the service is included in the employment agreement or contract.

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